

AR51



**Annual Report**  
**Dylex Diversified (1967) Ltd.**

FOR THE FISCAL YEAR ENDED AUGUST 3, 1968



**DIRECTORS**

L. H. Posluns  
J. F. Kay  
W. Posluns  
I. Posluns  
J. Posluns  
S. F. Kay  
D. Korn  
B. Dunkelman, D.S.O.  
L. Weinberg  
A. H. Zaldin, Q.C.  
H. J. Stitt

**OFFICERS**

L. H. Posluns, Chairman of the Board  
J. F. Kay, President  
I. Posluns, Executive Vice-President  
J. Posluns, Executive Vice-President  
W. Posluns, Secretary and Treasurer

**TRANSFER AGENT**

National Trust Company, Limited

**REGISTRAR**

Canada Permanent Trust Company

**AUDITORS**

Wm. Eisenburg & Co., Chartered Accountants

**BANKERS**

Bank of Montreal

**LISTED ON**

Toronto Stock Exchange

**HEAD OFFICE**

637-657 Lakeshore Boulevard West, Toronto, Canada

"We are pleased to report  
satisfactory progress on  
our first anniversary  
as a conglomerate".

The results indicate a favourable trend. Sales were \$37,820,000 compared with \$19,986,000 and profit before taxes during the period were \$7,100,000 against a loss of \$194,266 last year.

Working capital has grown from \$3,255,000 to \$10,000,000. In addition, as indicated in the balance sheet, a further \$1,000,000 was raised by long-term debt just prior to the year-end.

We have completed the consolidation of our various divisions into one company as well as the renovation and full utilization of our Lakeshore Building. The non-recurring expenses resulting from these activities, while considerably diminished, will not be completely eliminated this year.

During the year, a corporate group of central services has been established to make available to the Operating divisions, a high calibre of specialized functions at competitive market prices. Such services as data processing, systems development, construction, engineering and advertising are in-

the keynote. The Operating Divisions have opened seventeen new offices, mainly in major regional shopping centres.

I am further pleased to report that the Manufacturing Division is showing satisfactory results in spite of difficulties due to consolidation and the closing of a number of plants.

With the development of new structures, a most comprehensive program of employee benefits has been provided. In addition, an opportunity has been given to employees to invest in company programs as well as

ment of challenge and excitement for all personnel. It is a privilege to acknowledge their enthusiasm and support, without which the favourable results shown could not have been achieved.

It would appear from early results of the current period that the trend is for continued improvement in sales and profits.

JAMES F. KAY,  
PRESIDENT

*Submitted on behalf of the Board of Directors  
Toronto, November 11, 1968.*

**DIRECTORS**

L. H. Posluns

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W. Posluns Secretary and Treasurer

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National Company, Limited

**REGISTERED**

Canada Trust Company

**AUDITORS**

Wm. Eisner Chartered Accountants

**BANKERS**

Bank of Montreal

**LISTED ON**

Toronto Stock Exchange

**HEAD OFFICE**

537-557 Lakeshore Boulevard West, Toronto, Canada

**"We are pleased to report  
satisfactory progress on  
our first anniversary  
as a conglomerate".**

The results indicate a favourable trend. Sales were \$37,824,000 compared with \$14,986,000 and profits on operations during the period were \$796,436 against a loss of \$194,266 last year.

Working capital has grown from \$3,255,000 to \$5,457,000. In addition, as indicated in the notes to the balance sheet, a further \$1,000,000 was raised by long-term debt just subsequent to the year-end.

We have completed the consolidation of our various divisions into one company as well as the renovation and full utilization of our Lakeshore Building. However, the non-recurring expenses resulting from these activities, while considerably diminished, will not be completely eliminated this coming year.

During the year, a corporate group of central services has been established to make available to the Operating divisions, a high calibre of specialized functions at competitive market prices. Such services as data processing, systems development, construction, engineering and advertising are in-

cluded in this group.

In the Retail Group expansion has been the keynote. Our Retail Divisions have opened seventeen new stores, mainly in major regional shopping centres.

I am further pleased to report that the Manufacturing Divisions are showing satisfactory results in spite of disruptions due to consolidation and the moves of a number of plants.

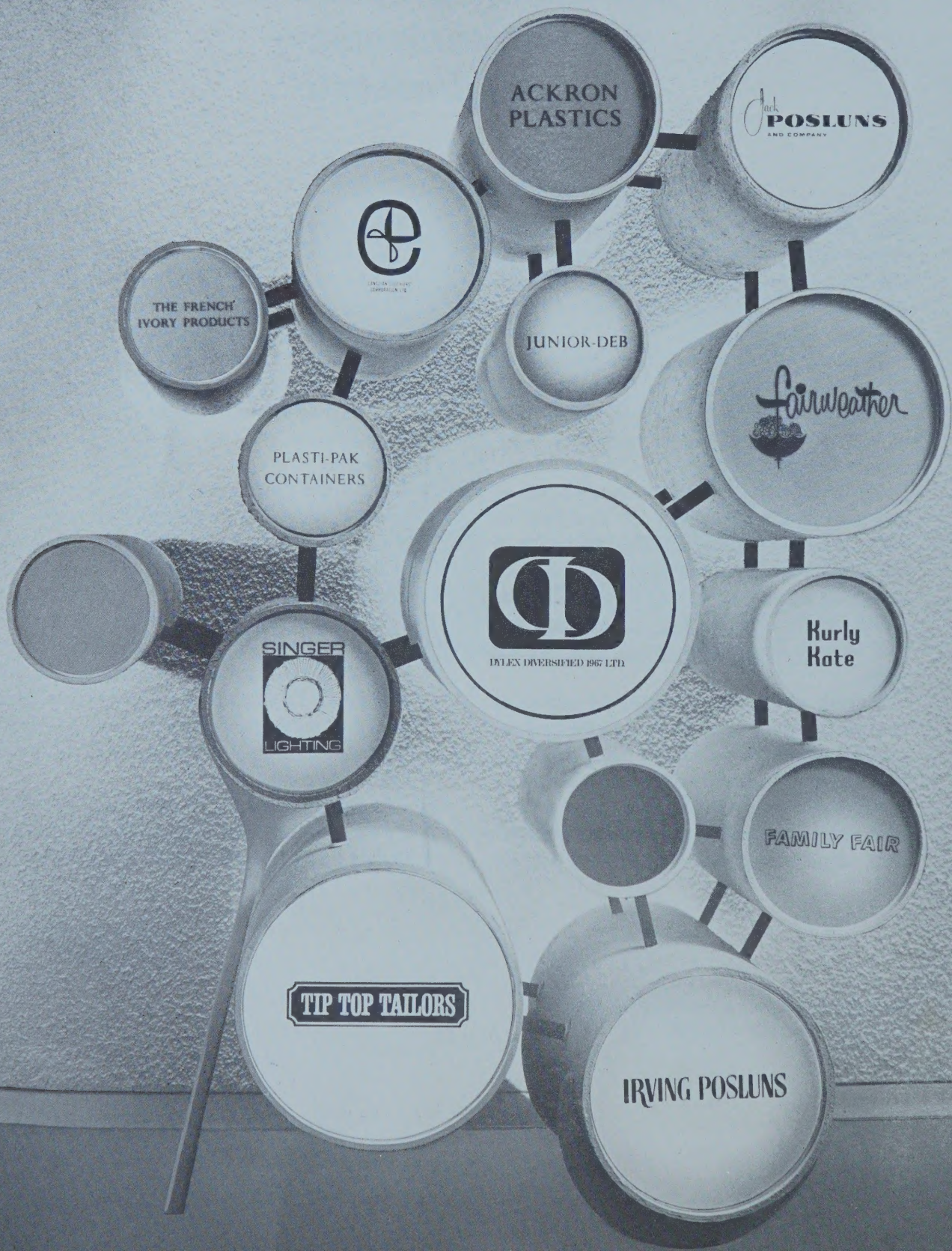
With the development of our new structure, a most comprehensive program of benefits has been provided for all employees. In addition, an opportunity to invest in shares of the Company has been given to key employees. These programs as well as our reorganization, have created an environment of challenge and excitement for all personnel. It is a privilege to acknowledge their enthusiasm and support, without which the favourable results shown could not have been achieved.

It would appear from early results of the current period that the trend is for continued improvement in sales and profits.

**JAMES F. KAY,  
PRESIDENT**

*Submitted on behalf of the Board of Directors  
Toronto, November 11, 1968.*

“Dylex really is a new company—  
a multi-product, multi-market organization  
with a philosophy that encourages  
divisional responsibility and aggressiveness ”



## CORPORATE GROUP:

The establishment of a corporate group of Central Services relieves the Operating Divisions of several normal functions such as: retail accounts receivable, real estate, accounting, warehousing, distribution, etc. Each of these services is available on demand at competitive market prices.

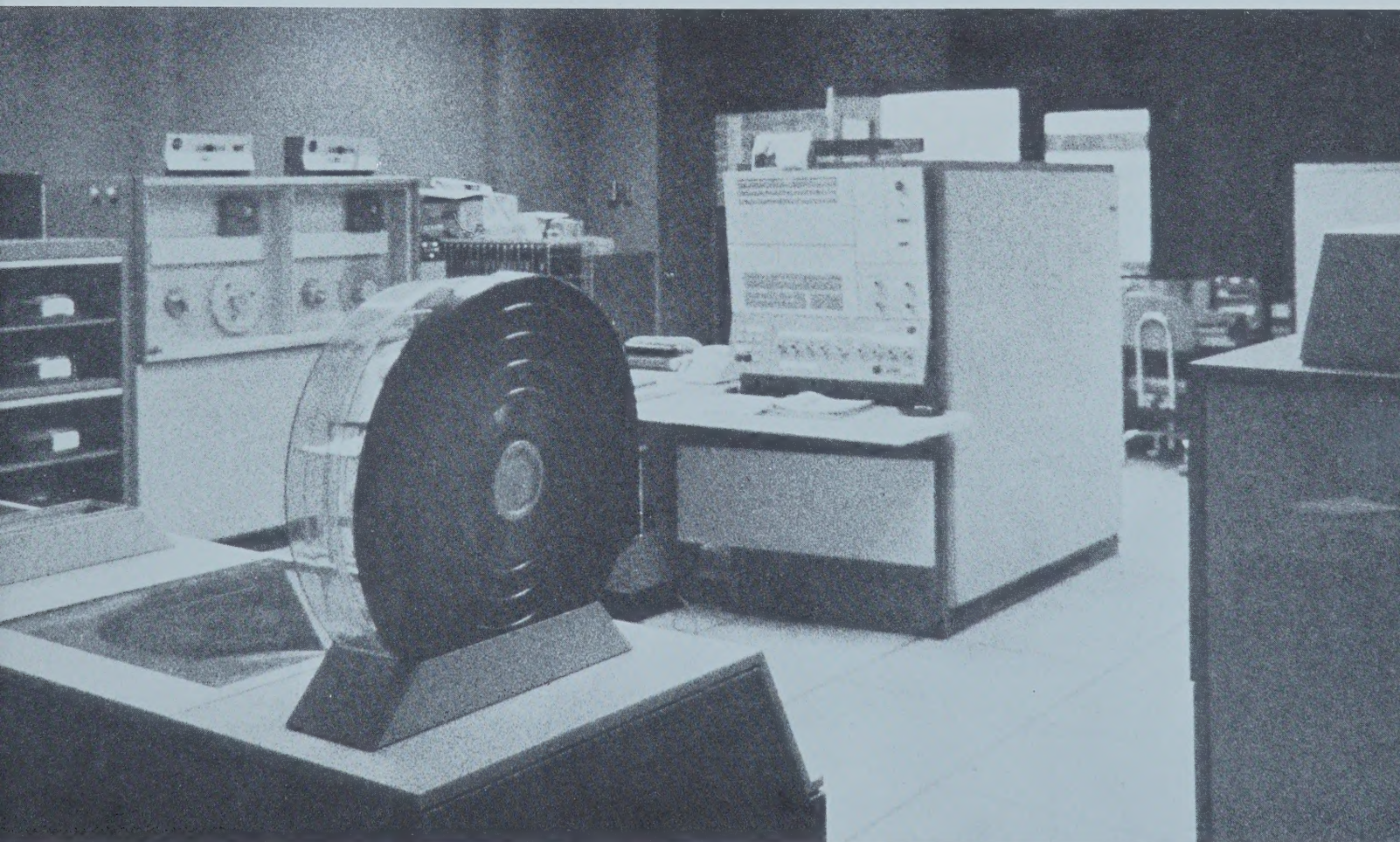
Within the Corporate Group, Retail Accounts Receivable have been consolidated in a wholly owned subsidiary, Dylex Acceptance Corporation Ltd. Control of this operation has been centred in Toronto and through extensive use of the computer, substantial reductions in expenses were made.

In the real estate area, the Lakeshore Building has now been brought to full occupancy. Substantial savings in rent and other occupancy

costs will result from this extensive re-arrangement and re-design of the space used by the divisions of the original Tip Top, followed by the moves of the Posluns factories and the Fairweather offices and warehouses.

Accounting and control functions are being structured to cope more effectively with multi-division, multi-plant situations. Here, the operating needs of the divisions are to receive priority in the development of reporting and controls.

Improved warehousing and distribution techniques have been made possible with the specially designed Central Warehouse at the Lakeshore Building. Further, the whole concept of merchandise control is undergoing intensive study by experts in the fields of stock control and computer sciences.



*The I.B.M. System/360, Model 36 computer which has enabled the Corporate Group to effect substantial reduction in expenses.*

## "Penetration of a new area of the women's apparel market"

The Posluns production lines, manufacturing women's apparel for Irving Posluns Sportswear and Jack Posluns and Company were moved into the Lakeshore Building without loss of volume and without major delays in delivery. The newly engineered production facilities will do much to further improve the profit picture.

A new area of the women's apparel market has been invaded with the addition of a leather coat division offering leather and suede coats under the "Irving Posluns" label. This promises to be another profitable venture as the line and the market is expanded.

Canadian Clothiers, the men's wear clothing manufacturing division, is expanding its distribution of 'Botany' 500 and other brands to independent dealers across Canada.



*Quality control check on Junior Deb production line in the Lakeshore Building.*



*The new automated console-controlled conveyor production system of the Posluns production line.*



*The interior of the Tip Top Tailor store in Yorkdale Shopping Centre, Toronto.*



*A Fairweather store. Fairweather stores are leading ladies' and children's fashion stores in Toronto.*

## RETAIL GROUP:

### "A major expansion program"

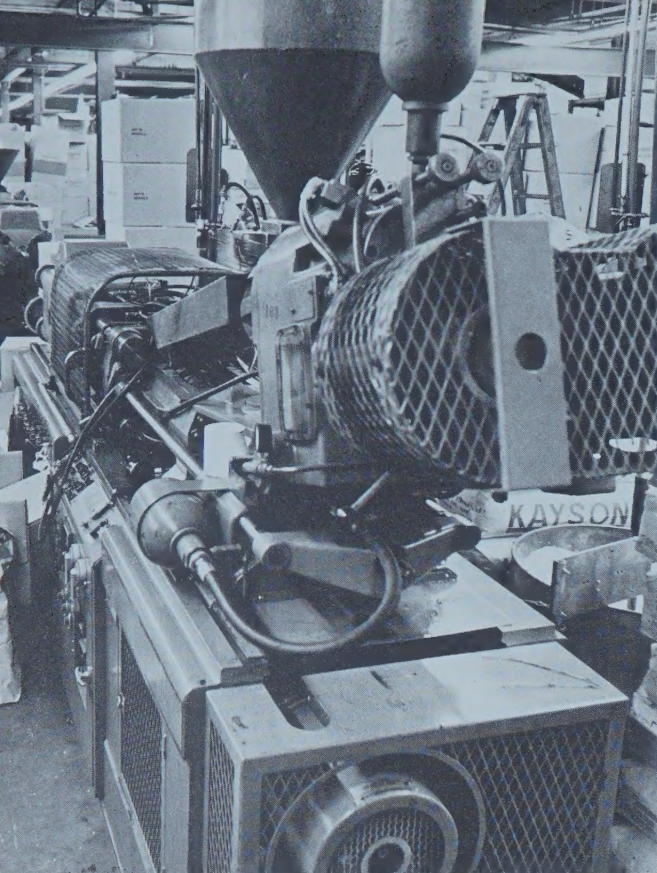
The Company's strengthening of distribution, merchandising and advertising efforts has been of particular importance in the explosive expansion of our Retail Division. Seventeen new stores were opened this year and major renovations were carried out in four others. One Tip Top store in Richmond, B.C. was added by acquisition in July.

A new development in family shopping has also been introduced by the Company. A ladies' and children's fashion store (Fairweather) and a men's fashion store (Tip Top Tailors) have been combined into a single unit while still maintaining separate identities. Results so far with these units indicate a higher level of customer traffic and lower operating costs.

The Family Fair Stores, selling fashion family clothing at budget prices have been expanded from one to six stores. The results achieved to date have been exceptionally good and it is expected that this chain will soon undergo further expansion.



*The exterior of one of our six Family Fair Stores. Family Fair offers fashion clothing at budget prices.*



*The injection moulding equipment producing containers for food products.*



*A store display showing some of our many Kurly Kate products.*

#### CONSUMER & INDUSTRIAL GROUP:

## "Increased strength and output is registered in all product lines"

The Manufacturing Divisions have shown particular strength with increased output registered in all product lines.

The Plastics Division, in close co-operation with Kurly Kate of the Consumer Products Division, has successfully launched a total line of garbage disposal bags for home, industrial and institutional use. This product line promises great potential and further growth for both divisions.

The Singer Lighting Division continued to expand production and to substantially increase its share of the Canadian Market. Exports were also enlarged with shipments delivered to Australia and to the Barbados.



*Printing on plastic containers on the production line of our Plastic Division.*

# Dylex Diversified (1967) Ltd.

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Year Ended	
	August 3 1968	July 29 1967
Net Sales .....	\$37,823,552	\$14,986,112
Profit from operations after deducting selling and administrative expenses but before taking into account the under-noted items .....	1,958,120	319,583
Remuneration of directors, as directors, officers or employees .....	175,435	72,097
Depreciation and amortization (Note 10) .....	440,344	188,618
Interest on long-term debt .....	190,758	94,010
Other interest .....	344,936	159,124
Provision for income taxes (Note 11) .....	10,211	—
	1,161,684	513,849
Net profit or (loss) from operations .....	796,436	(194,266)
Profit or (loss) on sale of fixed assets .....	(24,713)	409,298
Loss on sale of investment .....	(60,000)	—
Net profit for the year .....	\$ 711,723	\$ 215,032
Net profit or (loss) from operations per share* .....	\$ 2.00	(\$1.61)
Net profit for the year per share* .....	1.79	1.80

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended	
	August 3 1968	July 29 1967
Retained earnings at beginning of year .....	\$ 2,980,922	\$ 2,765,890
Add: Net profit for year .....	711,723	215,032
Retained earnings at end of year .....	\$ 3,692,645	\$ 2,980,922

\*Average shares outstanding during year

# Dylex Diversified (1967) Ltd.

## CONSOLIDATED BALANCE SHEET AS AT AUGUST 3, 1968

### ASSETS

	August 3 1968	July 29 1967
<b>CURRENT ASSETS</b>		
Cash.....	\$ 70,389	\$ 97,609
Accounts Receivable, less allowance for doubtful accounts.	3,952,022	1,459,057
Inventories (Note 2) .....	9,490,246	4,474,771
Prepaid expenses and supplies.....	410,112	257,499
Advances to wholly-owned acceptance company .....	163,788	—
	<u>14,086,557</u>	<u>6,288,936</u>
<b>INVESTMENTS AND LOANS RECEIVABLE</b>		
Mortgages and other investments—cost.....	90,117	30,300
Advances to key employees to purchase shares (Note 3) .....	1,212,160	11,326
Deferred expenses.....	—	13,483
	<u>1,302,277</u>	<u>55,109</u>
<b>FIXED ASSETS</b>		
Land (Note 4) .....	1,150,870	150,870
Buildings (Note 4) .....	2,733,903	1,206,040
Machinery, Store Fixtures, Leasehold improvements and other equipment—at cost.....	6,156,230	3,017,774
	<u>10,041,003</u>	<u>4,374,684</u>
Less: Accumulated depreciation .....	4,028,332	3,226,990
	<u>6,012,671</u>	<u>1,147,694</u>
<b>OTHER ASSETS</b>		
Excess of assets acquired over book values (Note 6) .....	4,192,787	—
	<u>\$25,594,292</u>	<u>\$ 7,491,739</u>

*The accompanying notes are an integral part of the Financial Statements.*

## LIABILITIES

	August 3 1968	July 29 1967
<b>CURRENT LIABILITIES</b>		
Bank borrowings (secured) . . . . .	\$ 4,062,387	\$ 1,439,821
Accounts payable and accrued liabilities . . . . .	3,598,025	1,480,721
Taxes payable . . . . .	405,608	74,447
Principal payments due within one year on long-term liabilities . . . . .	563,942	39,213
	<u>8,629,962</u>	<u>3,034,202</u>

## LONG-TERM LIABILITIES

Notes payable (secured—\$43,138) . . . . .	2,210,171	23,637
Mortgages payable . . . . .	966,430	852,978
Bank loan re advances to key employees to purchase shares of Company (Note 3) . . . . .	1,212,160	—
	<u>4,388,761</u>	<u>876,615</u>

## SHAREHOLDERS' EQUITY

### COMMON SHARES—without par value (Note 8)

Authorized—3,000,000 shares		
Issued and outstanding—439,274 shares (Note 9) . . . . .	6,993,480	600,000

EXCESS of appraised value over depreciated cost (Note 4) . . . .	1,889,444	—
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### RETAINED EARNINGS

Per statement attached . . . . .	3,692,645	2,980,922
	<u>12,575,569</u>	<u>3,580,922</u>
	<u>\$25,594,292</u>	<u>\$ 7,491,739</u>

APPROVED ON BEHALF OF THE BOARD:

J. F. KAY, *Director*

W. POSLUNS, *Director*

# Dylex Diversified (1967) Ltd.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AUGUST 3, 1968

**NOTE 1.** The accompanying financial statements consolidate the accounts of all subsidiary companies except for the assets and liabilities of Dylex Acceptance Ltd., a wholly-owned finance company which is not consolidated because of the different nature of its business. Since the operations of this subsidiary have only commenced, no profits or losses are reported for this period. Dylex Diversified (1967) Ltd. is contingently liable as guarantor of a bank loan to Dylex Acceptance Ltd. of \$1,810,545 as at August 3, 1968.

**NOTE 2.** The inventories are valued at the lower of cost or net realizable value except for retail lines not manufactured by the Company which are valued at lower of cost or net realizable value less normal profit margins.

**NOTE 3.** 75,000 shares of Dylex Diversified (1967) Ltd. have been allotted to the trustees of the company's key employee stock purchase plan to be issued to full time key employees of the company at a price not greater than the maximum allowable discount from market at the time of allotment. As at August 3, 1968, 69,274 common shares have been subscribed for by key employees. To facilitate the purchase of these shares by key employees the company borrowed \$1,254,000 from its bankers (\$1,212,160 as at August 3, 1968) to be repaid over a period of ten years.

**NOTE 4.** On December 29, 1967, the property at 637 Lakeshore Boulevard West, Toronto, was appraised by W. H. Bosley & Co. Ltd. at a value of \$2,750,000. As a result of this appraisal the value of this property has been increased, resulting in an excess of appraised value over depreciated cost of \$1,889,444.

**NOTE 5.** On July 31, 1967 the shareholders approved the purchase of the assets and undertakings of Irving Posluns Sportswear, Jack Posluns and Company, Singer Lighting Company, Kurly Kate (Canada) Limited, The French Ivory Products, Limited and Fairweather Company Limited, and the purchase of all the issued shares of Ackron Plastics Limited, Plasti-Pak Containers Limited and the Family Fair Stores Limited. In exchange for such assets and shares, the Company issued to the vendors 250,000 common shares of Dylex Diversified (1967) Ltd. at \$20.00 per share and an interest-bearing subordinated note in the amount of \$2,000,000 (\$1,540,000 as at August 3, 1968). The Company has assumed all the liabilities of Irving Posluns Sportswear, Jack Posluns and Company, Singer Lighting Company, Kurly-Kate (Canada) Limited, The French Ivory Products, Limited and Fairweather Company Limited.

**NOTE 6.** The above acquisitions (Note 5) has resulted in an

excess of cost of assets acquired over book values amounting to \$4,180,177. In July, 1968 on the acquisition of Ivan's Men's Wear Ltd. in Vancouver a further excess of cost of assets acquired over book values of \$12,610 has been added to the above amount.

**NOTE 7.** At the above meeting held on July 31, 1967, the shareholders approved the change of the corporate name from Tip Top Tailors Limited to Dylex Diversified (1967) Ltd.

**NOTE 8.** On August 1, 1967 supplementary letters patent were obtained increasing the authorized capital of the company from one hundred and forty-seven thousand, five hundred (147,500) to three million (3,000,000) common shares without nominal or par value, the consideration for the issue of which shall not exceed in amount or value the sum of ten million dollars (\$10,000,000).

**NOTE 9.** Balance of common shares issued as at  
 July 29, 1967..... 120,000  
 Common shares issued during year  
 August 1, 1967 (see note 5)... 250,000 ✓  
 March 19, 1968 (see note 3)... 66,600 ✓  
 July 29, 1968 (see note 3)... 2,674 319,274  
 Balance of common shares issued as at  
 August 3, 1968..... 439,274 ✓

**NOTE 10.** In prior years, the Company has recorded depreciation by the diminishing balance method using maximum annual rates allowable for income tax purposes. In 1968 the method was changed to a straight line basis using rates designed to write off the net book value of the fixed assets over their estimated useful lives. The effect of this change has been to increase 1968 reported net profit by approximately \$156,500.

**NOTE 11.** Provision for income taxes of \$10,211 represent the amount paid by a subsidiary company. No other income taxes were payable due to the application of the losses carried forward from prior years. The Company has an estimated loss carry-forward of approximately \$1,000,000 which can be deducted from future profits for tax purposes.

**NOTE 12.** The total minimum rentals under leases having in excess of five years to run from August 3, 1968 amount to approximately \$6,043,900; the minimum annual rentals on all leased property and equipment amount to approximately \$1,472,500.

**NOTE 13.** The Company is contingently liable as guarantor of bank loans of up to sixty thousand dollars (\$60,000) of one of the companies' suppliers.

## EVENTS SUBSEQUENT TO YEAR-END

1. On September 25, 1968 the first mortgage payable on the property at 637 Lakeshore Boulevard West, Toronto of \$825,787 was repaid and a new mortgage obtained from The Royal Trust Company in the amount of \$1,850,000 with interest payable thereon at the rate of nine and one-quarter (9¼) percent. This mortgage falls due on October 15, 1973.

2. On August 23, 1968, the Company acquired all the capital stock of Harry Rosen Men's Wear Limited, Toronto for common stock.

## Dylex Diversified (1967) Ltd.

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended	
	August 3 1968	July 29 1967
<b>SOURCE OF FUNDS</b>		
Net profit for year . . . . .	\$ 711,723	\$ 215,032
Add: Charges not requiring cash outlay:		
Depreciation of fixed assets . . . . .	440,344	188,618
	<u>1,152,067</u>	<u>403,650</u>
Issue of capital stock . . . . .	6,393,480	—
Increase in long-term debt . . . . .	2,880,386	23,637
Reduction in mortgages and other investments . . . . .	175,259	2,551
Net proceeds on disposal of fixed assets . . . . .	110,164	877,982
Reduction in deferred expenses . . . . .	13,483	14,925
	<u>10,724,839</u>	<u>1,322,745</u>
<b>APPLICATION OF FUNDS</b>		
Purchase of fixed assets . . . . .	3,526,041	426,903
Purchase of mortgages and other investments . . . . .	223,750	—
Excess of assets acquired over book values . . . . .	4,192,787	—
Reduction of long-term debt . . . . .	580,400	282,317
	<u>8,522,978</u>	<u>709,220</u>
<b>INCREASE IN WORKING CAPITAL . . . . .</b>	<b>\$ 2,201,861</b>	<b>\$ 613,525</b>
Working capital at end of year . . . . .	\$ 5,456,595	\$ 3,254,734
Working capital at beginning of year . . . . .	3,254,734	2,641,209
	<u>\$ 2,201,861</u>	<u>\$ 613,525</u>

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Dylex Diversified (1967) Ltd. as at August 3, 1968 and the statements of profit and loss, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 3, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in method of providing depreciation as explained in Note 10 to the balance sheet.

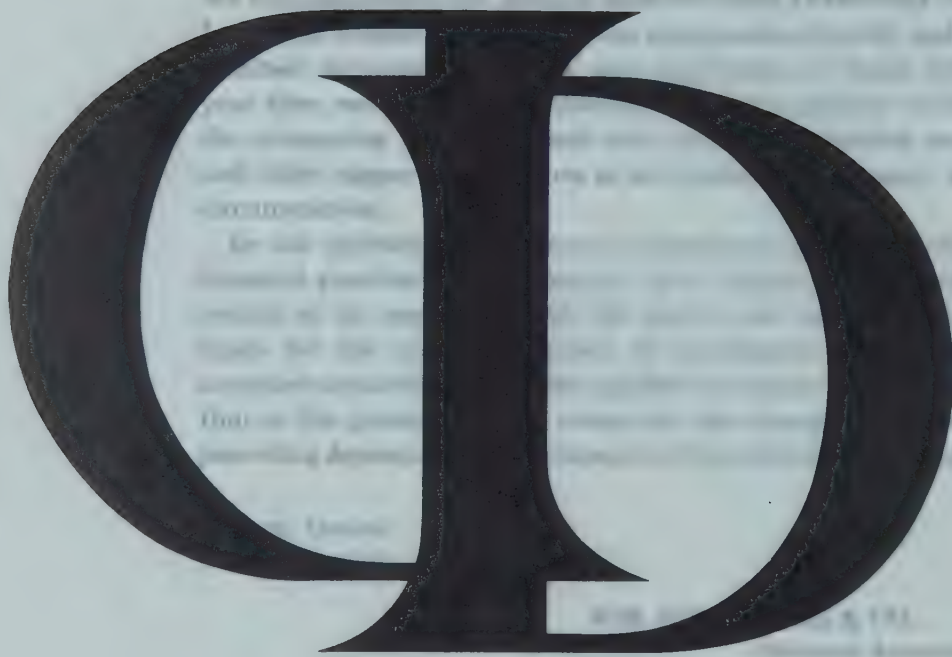
*Toronto, Ontario  
October 22, 1968*

**WM. EISENBERG & CO.**

Chartered Accountants.

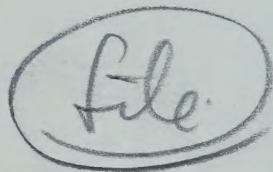


## ANNUAL REPORT TO THE SHAREHOLDERS









# DYLEX DIVERSIFIED (1967) LTD.

1968 Interim Report to Shareholders

## REPORT TO SHAREHOLDERS

We are enclosing results (unaudited) for the six months of operations ended January 27, 1968, reflecting the results for the first time of the combined retail, clothing, home furnishings, consumer products and plastics divisions acquired on July 31, 1967. We will, therefore, not report on a comparative basis until the next interim statement.

We are pleased to show a profit for the period despite the many problems of the early phases of our re-organizational program. We would caution against projecting a full year's results on the basis of the first half. The results of operations of any six month period are not necessarily uniform due to the effects of seasonal and other factors.

J. F. Kay,  
President.

# CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended January 27, 1968

(Unaudited)

(\$ '000)

Sales .....	<u>19,967</u>
Net earnings from operations before depreciation and interest .....	813
Depreciation .....	266
Interest on borrowings .....	<u>182</u>
Net earnings from operations .....	365
Provision for income taxes (Note 1) .....	<u>14</u>
Net earnings for the period .....	<u>351</u>
Net earnings per share .....	\$0.95

Note 1 — Income taxes are provided for the subsidiary companies; the parent has a loss carry forward tax position.

Listed on Toronto Stock Exchange

HEAD OFFICE: 637 Lakeshore Blvd. W., Toronto, Canada

# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six months ended January 27, 1968

(Unaudited)

(\$ '000)

## SOURCE OF FUNDS

Net earnings for the period .....	351
Charges not involving funds — depreciation .....	266
Transactions relating to acquisition as per Information Circular July 21, 1967:	
Issue of common stock .....	5,000
Notes due Vendor — long term portion .....	1,380
Deferred liabilities & long term debt assumed .....	1,000
Less: Mortgage & other investments acquired .....	(233)
Fixed assets acquired .....	(1,946)
Excess of assets acquired over book value .....	(4,180)
Advances from subscribers .....	50
Decrease in other non-current assets .....	13

1,701

## APPLICATION OF FUNDS

Purchase of fixed assets (net) .....	819
Decrease in deferred liabilities & long term debt (net) .....	172

991

## INCREASE IN WORKING CAPITAL .....

710